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August 27, 1999

Ex Parte Presentation

Magalie Roman Salas, Esq.
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

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AUG 27 1999

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

RE: In the Matter of Applications for Consent to the Transfer of Control of
Licenses and Section 214 Authorizations from Ameritech Corporation,
Transferor, to SBC Communications Inc., Transferee.
CC Dkt. No. 98-141

Dear Ms. Salas:

On July 1, 1999, SBC Communications Inc. ("SBC") and Ameritech Corporation ("Ameritech") submitted an *ex parte* letter with a complete copy of proposed merger conditions that were the result of extensive discussions between representatives of SBC and Ameritech and the Commission Staff. In keeping with the unparalleled amount of public involvement in the review of this merger, the Commission invited the public (including competitors) to participate in a full round of comment on conditions that were proposed by SBC/Ameritech and that the Commission Staff was considering recommending. As a result of this and other unprecedented steps, including *ex parte* contacts by numerous interested parties, we believe that the process used by the Commission to review the proposed conditions has been more open and has involved more public participation than the review of any previous merger in the history of the Commission.

An initial introductory note must be emphasized. It is not only the process for this merger that is unprecedented. When SBC and Ameritech announced this merger more than 15 months ago, the companies firmly believed that the merger was pro-competitive, that the benefits of the merger far outweighed the speculative harms that were alleged, and that the Commission should approve the merger without conditions. We believe that to be true today. Since that time, the U.S. Department of Justice has reviewed and approved the merger without imposing any significant conditions. In addition, the Ohio Commission has approved the merger, a stipulation was reached with Commission Staff in Nevada, and Hearing Examiners in Illinois have now twice recommended approval by the Illinois Commission. In the meantime, the merger has been the subject of two FCC public forums and has attracted broad and deep levels of public support. Today, more than 200 unions, consumer groups, business and civic organizations, and elected officials – representing tens of thousands of Americans – have endorsed the SBC-Ameritech merger precisely because of the benefits it will create for American consumers and businesses.

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Nevertheless, in response to questions raised by Chairman Kennard in early June, SBC and Ameritech began extensive discussions with the Staff. As a result of these discussions and in response to public comment, SBC and Ameritech developed a set of proposed conditions that are truly remarkable. The number, degree, and nature of the voluntary conditions proposed by SBC and Ameritech are unparalleled in Commission history. No other merger applicants have ever agreed to such extraordinary, unique, and far-reaching procompetitive requirements. Indeed, the proposed conditions far exceed the duties and obligations imposed by the 1996 Act (and subsequent orders), other Commission rules and regulations, and applicable antitrust law. As a result, the weight of the evidence is now overwhelming that the SBC/Ameritech merger is in the public interest and that consumers and competition will benefit significantly and substantially when the merger is approved.

SBC and Ameritech have considered with great care the comments of industry members, state bodies, and members of the public directed to the proposed conditions. The ideas and suggestions contained in the comments prompted another intense round of discussions and negotiations between representatives of SBC and Ameritech and the Commission Staff, in which SBC and Ameritech have been responsive to remaining concerns. Although SBC and Ameritech believe that the conditions as originally proposed were in the public interest and resolved even the most remote and speculative concerns associated with the merger, the companies have agreed to modify their proposed conditions in light of the comments received.

Attachment 1 to this letter is a revised copy of the proposed conditions reflecting this process. In response to the public comments and FCC Staff input, we have made clarifying changes throughout the document. We have also made changes to address operational and implementation issues raised by commenters, the FCC Staff, and ourselves. We have also made significant substantive changes to allay concerns about the proposed conditions that were raised by commenters and the Commission Staff.

With these revisions, the proposed conditions go significantly beyond the sweeping and beneficial commitments already contained in SBC's and Ameritech's July 1 filing – which themselves sufficed to address public interest issues. The attached proposed conditions thus should leave no question that the merger is in the public interest and will: promote the efficient, equitable, and non-discriminatory deployment of advanced services, foster new competition in and outside SBC's and Ameritech's local service territories; assist and benefit SBC/Ameritech's wholesale and residential customers; and protect the authority of the FCC and states vis-à-vis implementation of these conditions.

Attachments 2 and 3 to this letter are charts summarizing key provisions in the revised conditions, which may assist review by interested parties. However, the following, fuller summary of the revised conditions will demonstrate how responsive SBC and Ameritech have been to issues and concerns that have been raised.

I. Promoting Equitable and Efficient Advanced Services Deployment

The proposed conditions governing the deployment of advanced services illustrate the unique and unprecedented nature of the SBC/Ameritech commitments. The duties assumed by SBC/Ameritech to facilitate and accelerate the provision of advanced services by competitors go far beyond the present array of obligations imposed upon incumbent LECs and other telecommunications carriers. Similarly, the commitments undertaken herein by SBC/Ameritech regarding the manner in which SBC/Ameritech will itself provide advanced services dwarf the obligations imposed on all carriers.

The significance of the Advanced Services proposed conditions, however, needs to be placed in its proper perspective. Today, under the 1996 Telecommunications Act and current FCC rules, a local exchange company ("LEC") is permitted to provide all Advanced Services as part of its normal course of business. For example, Pacific Bell, one of SBC's incumbent LECs, provides Advanced Services in California today without being subjected to any of the structural separation, affiliate transactions, accounting, disclosure, or auditing requirements contained in the proposed conditions. Nevertheless, as a result of discussions with the Staff and in response to concerns raised during the public comment period, SBC/Ameritech have agreed to provide Advanced Services – one of the high-growth areas of the future – through an affiliate structurally separate from its incumbent LECs and to follow a detailed set of rules and requirements that no other LEC or telecommunications carrier in the country is required to follow. In other words, the unprecedented nature of the proposed Advanced Services conditions becomes more obvious when they are put in their proper perspective.

The proposed conditions originally included several provisions that promote the equitable, non-discriminatory, and efficient deployment of advanced services. For example, to create yet another incentive for SBC/Ameritech to act in a non-discriminatory manner and to accommodate the needs of all providers of advanced services, SBC/Ameritech will be required, for at least three and one-half years, to maintain a separate affiliate or affiliates to provide SBC/Ameritech's own advanced services (such as ADSL) in the 13-state area where SBC/Ameritech operates as an incumbent LEC. SBC/Ameritech's incumbent LECs will deal with the separate advanced services affiliates on an arms-length and non-discriminatory basis, under rules modeled upon the structural separation requirements for BOC interLATA services (*i.e.*, Section 272 of the Telecommunications Act of 1996). SBC/Ameritech will further provide unaffiliated telecommunications carriers with non-discriminatory access to the same local loop information for the deployment of xDSL and advanced services that is available to SBC/Ameritech's retail operations, and will provide access to particular types of information without regard to what SBC/Ameritech's retail operations obtain. The proposed conditions also include discounts on unbundled loops that are ordered to provide advanced services during the period while new OSS electronic options for processing such orders are being phased in. On the retail side, the proposed conditions contain a plan for rolling out SBC/Ameritech's advanced services equitably to lower-income urban and rural areas. All of these terms will ensure the fair and rapid deployment of advanced services in the SBC/Ameritech states after the merger.

SBC and Ameritech have made several additional changes to the proposed conditions to address the concerns of various commenters.

Scope of Advanced Services Conditions. The proposed conditions now make it clear that SBC/Ameritech will provide advanced services through a separate subsidiary for at least three and one-half years. This commitment resolves concerns that the general three-year sunset of the proposed conditions might deny advanced services providers and consumers in some states the intended benefits of the structural separation requirement.

We have revised the separate affiliate provisions to clarify permissible and impermissible relationships between the advanced services affiliate and an SBC/Ameritech incumbent LEC. For instance, the provisions now clarify what is permissible joint marketing, what constitutes operations, installation, and maintenance, and what is covered by "customer care" for purposes of the proposed conditions. SBC/Ameritech's obligations to abide by affiliate transaction and disclosure requirements are detailed.

SBC and Ameritech have augmented the proposed conditions regarding non-discriminatory access to local loop information. Responding to the suggestions of CLECs and the Staff, the proposed language now is even more explicit about SBC/Ameritech's nondiscrimination obligation and about the additional information that will be made available by SBC/Ameritech to unaffiliated telecommunications carriers regardless of whether such information is requested or received by SBC/Ameritech's affiliates. The revised proposed conditions further clarify that, if advanced services used to provide Internet services are determined to be intrastate, SBC/Ameritech will not be released from its obligation to provide advanced services through a separate affiliate.

Defining Key Terms Relating to Advanced Services. The revised conditions clarify several key terms. For example, the proposed conditions now define what constitutes loop make-up information, as requested by AT&T in its August 9, 1999 *ex parte*. The definition of "advanced services" has also been modified to exclude circuit switched voice service, addressing head-on concerns raised by commenters. AT&T App. A at 55-56. SBC and Ameritech have also defined "voice grade service" pursuant to NorthPoint's suggestion.

Transactions Between the Incumbent LEC and Affiliates. Under the separate affiliate requirement, CLECs will gain the benefit of having transactions between the incumbent LEC and the separate affiliate be open and available for review. Several parties, however, questioned whether it would be possible to detect whether the separate advanced services affiliate received preferential treatment. AT&T App. A at 63-64; NorthPoint at 12. To address this concern, the proposed conditions now describe what information must be maintained and makes the information available to an independent auditor. The proposed conditions also specify that interconnection agreements between affiliates and the incumbent LEC shall be sufficiently detailed so that telecommunications carriers can effectively exercise their "pick-and-choose" rights under Section 251(i). All of these modifications provide additional assurance that CLECs will in fact obtain the intended benefits of the separate affiliate requirements while also enabling the Commission to effectively monitor compliance.

The proposed conditions contain numerous structural, accounting, and auditing requirements that will ensure the arms-length relationship between the advanced services affiliate and the SBC/Ameritech incumbent LECs. Moreover, none of the proposed conditions will alter the legal status of the separate affiliate or transform it into a successor or assign of the incumbent LECs. *See* Letter from Michael K. Kellogg to Christopher J. Wright, General Counsel, FCC (June 25, 1999).

Line Sharing. Until and unless line sharing becomes available to unaffiliated advanced services providers, the proposed conditions create a “Surrogate Line Sharing Charge” discount that offers CLECs the economic benefits of line sharing and parity with SBC/Ameritech’s advanced services affiliate(s). The proposed conditions provide CLECs with a steep 50 percent discount off of all recurring charges and certain non-recurring charges for the purchase of loops used exclusively to provide advanced data services to customers to whom SBC/Ameritech simultaneously is providing voice services. Moreover, SBC and Ameritech have now expanded this condition even further by reducing the costs of transitioning from “Surrogate Line Sharing” to “Line Sharing” if and when that time arrives. To ease this transition after line sharing becomes available, SBC and Ameritech have agreed temporarily to waive all non-recurring charges for new installations of unbundled local loops to serve CLEC end users previously served by a loop provided at the surrogate line sharing charge.

II. Ensuring Open Local Markets

The proposed conditions are a comprehensive and unprecedented plan to make the in-region local telephone markets of SBC/Ameritech – across 13 states – the most open and competitive in the country. To say the conditions go well beyond the requirements of the 1996 Act is a monumental understatement. No LEC has ever offered, or been required, to undertake such an imposing package of commitments to ensure the opening of local telephone markets. In the revised proposed conditions, SBC and Ameritech take their commitment to yet another level by extending the duration and expanding the scope of several commitments.

Performance Plan (Including Performance Measurements). SBC/Ameritech have agreed to implement and report on 20 uniform performance measurement categories on a monthly basis in its 13 in-region states, as well as make payments to the U.S. Treasury if they do not provide parity service or meet certain specified benchmarks. The attached proposed conditions contain several modifications that make the performance plan even stronger. First, in deference to the concerns expressed by various state commissions and other commenters, SBC and Ameritech have clarified that the proposed conditions do not limit the states’ authority to adopt different plans or performance measurements. Second, the Carrier Interconnection Performance Plan now provides that the voluntary payments made by SBC/Ameritech will be made solely to the U.S. Treasury instead of split between CLECs and state-designated public interest funds. Third, in response to commenters who questioned whether the Plan created sufficient incentives for compliance, AT&T App. A at 41; ALTS at 4; MCI WorldCom at 32; Sprint at 59-60, SBC and Ameritech have raised the potential payments due under the Plan by another \$125 million, to \$1.125 billion (with an offset for state payments). In contrast, the July 1 conditions provided for payments of \$1 billion (also with offsets for some payments). Finally, the performance plan has been modified to treble the level of payments made for poor performance with respect to

facilities and services ordered by competitors at low volumes in a state. This commitment will provide yet another level of assurance that SBC/Ameritech will have one overarching goal: meeting its commitments and opening its local markets to all competitors, whether these competitors are well-established or are seeking a foothold in an emerging market.

OSS Improvements. SBC/Ameritech will be required to provide uniform, electronic OSS interfaces, implement enhancements to existing OSS systems, and provide increased OSS support to small CLECs throughout its 13 states, all so that CLECs have OSS access that is at least equal to SBC/Ameritech's own access. SBC and Ameritech have discussed with the Staff a number of changes to these provisions that respond to the concerns of various commenters and the Staff itself, and that make the OSS provisions even more valuable to competitors and competition.

For instance, the benefits of new OSS interfaces have now been guaranteed for at least three years from their deployment. SBC and Ameritech have also modified the definition of "uniform interfaces" specifically to address the concerns AT&T raised in its *ex parte* earlier this month. AT&T *ex parte* at 3-6 (FCC filed Aug. 9, 1999). And to address some CLECs' concerns and potential concerns of state regulators, SBC and Ameritech have clarified that any uniform change management process negotiated between CLECs and SBC/Ameritech will be offered to state commissions for their acceptance and approval, and will not trump other state processes without the state's consent.

SBC and Ameritech have revised the arbitration procedures relating to OSS enhancements to respond to concerns raised by various CLECs. *See, e.g.*, AT&T at 39-40; MCI WorldCom at 34-35; Sprint at 50-54. The proposed condition eliminating certain flat-rate monthly charges for access to electronic OSS has been revised to clarify its intent, which was to eliminate certain flat monthly charges, not to waive SBC/Ameritech's right to recover costs incurred to serve CLECs. *Cf.* Telecommunications Resellers Association at 34-35; Covad at 35. In response to the requests of data CLECs, SBC/Ameritech has reduced certain OSS charges associated with processing manual orders when electronic systems are not yet available to process such orders. Again in response to CLEC requests, *see, e.g.*, North Point at 21-22; Comptel at 34; Covad at 35-36, SBC and Ameritech have added a provision that a CLEC may certify its status as a Small CLEC to SBC/Ameritech for purposes of receiving OSS assistance that will be made available for small CLECs. OSS support for small CLECs also has been extended from 1 year to 3 years.

SBC and Ameritech have revised the schedule of payments for failures to meet the OSS timelines contained in the proposed conditions so that the payments do not exceed FCC enforcement authority under 47 U.S.C. § 503(b)(2)(B). As modified, the OSS payments are broken into payments of \$110,000 per day or less and up to \$1.1 million or less per separate act or failure to act. The new structure allows the FCC to impose fines in the full amount of the required payment if SBC/Ameritech fails to satisfy the conditions. Moreover, SBC and Ameritech now face payments of up to \$20 million if they fail to comply with certain OSS conditions, whereas the previous total was capped at \$10 million. The revised conditions also reflect new procedural provisions that clarify enforcement of SBC/Ameritech's commitments.

Collocation Compliance. Ameritech and SBC will be required, 10 days after the merger closing and more comprehensively thereafter, to provide the Commission with an independent auditor's review verifying that Ameritech and SBC are complying with the Commission's collocation requirements. SBC and Ameritech have modified the Collocation Compliance Plan to address the concerns of various commenters. In particular, state commissions will now have access to the working papers and supporting materials of the independent auditor on a confidential basis.

As a new and additional incentive to ensure that telecommunications carriers receive collocation from SBC/Ameritech in a timely manner, SBC/Ameritech would now, in the revised conditions, be required to compensate carriers for missed collocation due dates caused by SBC/Ameritech. For three years from the merger closing date, SBC/Ameritech will provide a full, 100 percent waiver, credit, or refund of nonrecurring collocation charges where SBC/Ameritech misses by more than 60 days a due date for installing a qualifying collocation arrangement.

Most Favored Nation Provisions for In-Region Arrangements. The proposed conditions submitted on July 1, 1999, facilitated open local markets by providing all carriers in SBC/Ameritech's 13 states additional options for entering local markets. One of these proposed conditions ensures that SBC/Ameritech's CLEC will not seek and receive terms outside SBC/Ameritech territory that SBC/Ameritech would not offer to CLECs inside its territory. Another requires SBC/Ameritech, where technically feasible, to make available to any requesting telecommunications carrier, in any SBC/Ameritech state, terms for interconnection arrangements or UNEs that SBC/Ameritech voluntarily negotiated in another SBC/Ameritech state. Both of these conditions have been clarified in response to CLEC and Staff suggestions. Moreover, CLECs opting into an SBC/Ameritech agreement from another in-region state will now have the ability to take the prices set for that other state on an interim basis subject to true-up, thus speeding their opportunity to utilize the desired service arrangement.

Carrier-to-Carrier Promotions. As an additional incentive to promote residential telephone exchange service competition in its local service territories, SBC/Ameritech will offer carrier-to-carrier promotions that address each of the major modes of entry. In the SBC/Ameritech States, these unprecedented promotions include: (i) resale discounts for residential services starting at 32 percent off of the retail rate established by the relevant state commission; (ii) access to the UNE Platform to serve residential customers under UNE pricing rules in all central offices, without regard to the outcome of the Commission's remand proceedings regarding Rule 51.319; and (iii) discounts on recurring charges for unbundled residential loops that will average 25 percent below the cost-based price set by the relevant state commission.

SBC and Ameritech have revised the provisions establishing carrier-to-carrier promotions to ensure that all carriers have an equal chance to obtain any promotional facilities or services that are subject to volume caps, as well as notice that the caps may soon be reached to assist CLECs in their strategic planning. In addition, in response to a number of comments regarding how the unbundled loop discounts would be determined, the proposed conditions now include the state-specific promotional unbundled loop discounted prices that will be available.

Moreover, in response to AT&T's request, the proposed conditions clarify that the promotional UNE platform may be used to provide exchange access services in combination with residential POTS service and Basic Rate Interface ISDN service.

Offering of UNEs. To provide its CLEC customers additional certainty as they enter the local market, SBC/Ameritech have clarified that they will continue to provide UNEs in each in-region state, notwithstanding the Supreme Court's remand of Rule 51.319. The revised conditions now make SBC's and Ameritech's commitments to preserve the status quo even clearer.

Alternative Dispute Resolution Through Mediation. Pursuant to the proposed conditions, SBC and Ameritech will implement a voluntary alternative dispute resolution process utilizing mediation to resolve carrier-to-carrier local service disputes. No state or CLEC will be required to adopt or participate in this process. The process is available to CLECs, at their voluntarily request, to streamline and expedite resolution of carrier-to-carrier disputes. The proposed conditions accordingly clarify that this mediation process is a voluntary alternative to arbitration.

Access to Cabling in MDUs. The proposed conditions submitted on July 1, 1999 provided that new cables installed and controlled by SBC/Ameritech in new and retrofitted single-building MDUs and multi-tenant business premises will be constructed and provided in a manner that would permit CLECs a single point of interface. Responding to CLEC comments, the proposed conditions now extend SBC/Ameritech's obligation under this condition to include new cables installed and controlled by SBC/Ameritech in a campus of garden apartment dwelling units. The revised proposed conditions also commit SBC/Ameritech to provide a single point of interface that is also at a minimum point of entry. Finally, the revised proposed conditions continue, with administrative and clarifying changes, the requirement of carrier-to-carrier trials of CLEC access at a single point of interface.

III. Fostering Out-of-Region Competition

National-Local Strategy. Even among all the other unparalleled commitments made by SBC/Ameritech, the National-Local Strategy occupies a special place. SBC/Ameritech agree to compete in new out-of-region markets, but not through vague half-baked promises offered during Commission hearings, press conferences, or analyst briefings. The attached conditions embody a written commitment with specific timetables, entry plans, and huge financial penalties. In other words, a *real* commitment.

The proposed conditions will increase competition outside the 13-state region of SBC and Ameritech by requiring the post-merger SBC/Ameritech to roll out facilities-based local service, as a CLEC, in 30 markets selected from the 50 largest out-of-region U.S. markets. In the first 3 out-of-region markets, SBC/Ameritech's rollout of facilities based local service must occur within one year of the merger. SBC/Ameritech must provide facilities-based local service in its first 15 out-of-region markets within 18 months of the merger. The remaining 15 markets must be entered by the later of 30 months of the merger or upon SBC/Ameritech obtaining long distance authority covering at least 60% of its in-region market, as measured by access lines. Thus, the proposed conditions will lead quickly to the sort of facilities-based local services

competition that Congress had in mind when it passed the 1996 Act. The penalty for failure to meet the specified rollout schedule would be \$40 million per market, with a total potential exposure of \$1.2 billion.

The revised proposed conditions create additional incentives for SBC/Ameritech to implement the National-Local Strategy by establishing a new payment structure for noncompliance. This new structure conforms the voluntary payments required by the proposed conditions to the FCC's enforcement powers. The new payment structure also ensures that SBC/Ameritech will have an ongoing financial incentive fully to enter an out-of-region market, even if SBC/Ameritech misses one early deadline for that market.

IV. Benefitting Residential Telephone Customers and Service

In addition to the benefits to consumers that will result from the proposed conditions described above, the proposed conditions contain other provisions targeted specifically at residential customers and services. For example, the proposed conditions include a commitment not to charge residential customers any minimum monthly charges for long distance service, such as those currently being levied by major interexchange carriers. They also include SBC/Ameritech's commitment to offer to improve the current Universal Service Assistance Lifeline plans in the SBC/Ameritech states. The revised proposed conditions include, as requested by various commenters, modifications that strengthen these residential service provisions. Again, like a broken record, we must note the unprecedented nature of these commitments.

Enhanced Lifeline Plans. The enhanced Lifeline plan represents a substantial benefit to low income residential customers by providing large discounts on basic local service for eligible low income customers in the 13 SBC/Ameritech states. In response to several consumer groups, SBC and Ameritech have included in the attached proposed conditions a detailed set of terms and conditions for this enhanced Lifeline offering, which collectively will streamline enrollment in the program and ensure participants broad benefits, thus bringing the maximum relief to eligible low-income end users.

Service Quality Reporting. The proposed conditions would ensure that benchmarking information remains available by requiring the merged company to continue to report ARMIS data for different SBC/Ameritech operating telephone companies separately and to file additional service quality reports for the SBC/Ameritech states. As requested by state commenters, the proposed conditions now provide that the service quality data would be made available through SBC/Ameritech's Internet Website to state commissions and CLECs.

V. Ensuring Compliance with and Enforcement of These Conditions

The proposed conditions include detailed reporting, auditing, and enforcement provisions that also go well beyond what the Commission has required of potential merger partners in the past. These provisions ensure that the benefits of the proposed conditions will be realized.

SBC and Ameritech have responded to the requests of various commenters, *e.g.*, AT&T App. A at 31-32, by giving state commissions confidential access to the working papers and supporting materials of the independent auditor. The proposed conditions also clarify the procedures for auditing the advanced services affiliate.

VI. State Authority

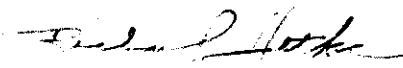
To allay concerns raised by various state commissions and other commenters about the scope of the proposed conditions and whether they will preempt state authority, *see, e.g.*, Wisconsin Public Service Commission at 3-5; Kansas State Corporation Commission at 3, SBC and Ameritech have made express that “[n]othing in these Conditions is intended to restrict, supercede, or otherwise alter State or local jurisdiction under the Communications Act of 1934, as amended.” SBC and Ameritech have also clarified, as requested by the states and various CLECs, that the proposed conditions do not constitute any determination or standard regarding SBC/Ameritech’s compliance or non-compliance with Sections 251, 252, 271, or 272 of the 1996 Act. In addition, SBC and Ameritech have included a provision clearly stating that “SBC/Ameritech shall not be excused from its obligations under these federal Conditions on the basis that a state commission lacks jurisdiction under state law to perform an act specified or required by these Conditions.”

VII. Conclusion

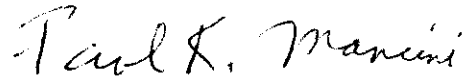
As this brief summary makes clear, the revised proposed conditions go even further than the landmark conditions that SBC and Ameritech proposed on July 1, 1999. Indeed, the attached commitments go to great lengths to address concerns expressed in the comments and *ex partes* filed with the Commission. They clarify where commenters requested clarification; they increase payments where commenters requested tougher enforcement; they offer definition where commenters requested guidance; and they provide additional options where commenters requested even greater flexibility. In short, these revised conditions should put to rest all arguments that this merger is not in the public interest. The revised conditions guarantee that the merger will benefit consumers and improve competition. Moreover, it must be kept in perspective that the proposed conditions are above and beyond what SBC and Ameritech are required to do to be in full compliance with all laws and regulations, and what any other merging telecommunications companies have agreed to in the past. Commenters may quibble over the more subtle aspects of a specific condition, but we cannot lose sight of a basic premise: these proposed conditions are truly unprecedented.

More than 13 months have passed since SBC and Ameritech filed joint applications under Sections 214 and 310(d) of the Communications Act of 1934, as amended, requesting Commission approval for the transfer of control to SBC of licenses and authorizations controlled or requested by Ameritech or its affiliates or subsidiaries. It is clearly time for the Commission's review of this merger to come to a close. Never before have interested parties been given such an open forum to express their views and concerns – and never before have those issues been addressed in such painstaking detail. The public interest is not served by further delay – the benefits of this merger and the proposed conditions should be realized immediately.

Yours Sincerely,



Richard Hetke
Senior Counsel
Ameritech Corporation



Paul K. Mancini
General Attorney
and Assistant General Counsel
SBC Communications Inc.

cc: Mr. Atkinson
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Mr. Wright
Ms. Carey
Mr. Dever
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Mr. Bailey
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Ms. Kinney
Ms. Whitesell
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ATTACHMENT 1

PROPOSED CONDITIONS FOR

FCC ORDER APPROVING

SBC/AMERITECH MERGER

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SBC/AMERITECH MERGER

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APPENDIX A
PROPOSED CONDITIONS TO FCC ORDER APPROVING
SBC/AMERITECH MERGER

As a condition of exercising the grant authorized herein, SBC and Ameritech shall comply with the following enumerated Conditions. Unless otherwise specified herein, the Conditions described herein shall become effective 10 business days after the Merger Closing Date. The Conditions described herein shall be null and void if SBC and Ameritech do not merge and there is no Merger Closing Date.

Nothing in these Conditions is intended to restrict, supersede, or otherwise alter state or local jurisdiction under the Communications Act of 1934, as amended, or over the matters addressed in these Conditions, or to limit state authority to adopt rules, regulations, performance monitoring programs, or other policies that are not inconsistent with these Conditions. Nor do the Conditions reflect or constitute any determination or standard regarding SBC/Ameritech's compliance or non-compliance with 47 U.S.C. §§ 251, 252, 271, or 272.

For the purposes of these Conditions, the term "Merger Closing Date" means the day on which, pursuant to their Merger Agreement, SBC and Ameritech cause a Certificate of Merger to be executed, acknowledged, and filed with the Secretary of State of Delaware as provided in Section 251 of the Delaware General Corporation Law, as amended. The term "prior to the Merger Closing Date" means prior to the time that SBC and Ameritech cause a Certificate of Merger to be executed, acknowledged, and filed with the Secretary of State of Delaware as provided in Section 251 of the Delaware General Corporation Law, as amended.

For purposes of these Conditions, the term "SBC/Ameritech" shall mean Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, Nevada Bell, The Ohio Bell Telephone Company, Pacific Bell, The Southern New England Telephone Company ("SNET"), Southwestern Bell Telephone Company ("SWBT"), and Wisconsin Bell, Inc.; any successor or assign of such company that provides wireline telephone exchange service; and Ameritech Corporation, SBC Communications Inc., and any successor of either company.

For purposes of these conditions, the term "SBC/Ameritech Service Area" shall mean the combined service areas of Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, Nevada Bell, The Ohio Bell Telephone Company, Pacific Bell, SNET, SWBT, and Wisconsin Bell, Inc. where those companies operated as incumbent local exchange carriers ("incumbent LECs") as of August 27, 1999.

For purposes of these conditions, the term "SBC/Ameritech States" shall mean Arkansas, California, Connecticut, Illinois, Indiana, Kansas, Michigan, Missouri, Nevada, Ohio, Oklahoma, Texas, and Wisconsin. The term "SBC States" shall mean Arkansas, California, Connecticut, Kansas, Missouri, Nevada, Oklahoma, and Texas. The term "Ameritech States" shall mean Illinois, Indiana, Michigan, Ohio, and Wisconsin.

For purposes of these Conditions, the term "affiliate" shall have the same meaning as in 47 U.S.C. § 153(1).

For purposes of these Conditions, the term "telecommunications carrier" shall have the same meaning as in 47 U.S.C. § 153(44).

PROMOTING EQUITABLE AND EFFICIENT ADVANCED SERVICES DEPLOYMENT

I. Separate Affiliate for Advanced Services

1. SBC/Ameritech shall provide all Advanced Services through one or more affiliates that are structurally separate from the SBC/Ameritech incumbent LECs in accordance with the provisions and schedule set forth below. As described below, Ameritech and SBC shall establish separate Advanced Services affiliates prior to the Merger Closing Date. Upon receiving state approval of interconnection agreements and obtaining any necessary state authority or certification, SBC/Ameritech shall transition the provisioning of Advanced Services to one or more separate Advanced Services affiliates. Nothing in this Section I is intended to prohibit SBC/Ameritech's separate Advanced Services affiliates from providing services that are not Advanced Services in accordance with any applicable federal or state laws or regulations.

2. Advanced Services. For purposes of these Conditions, the term "Advanced Services" means intrastate or interstate wireline telecommunications services, such as ADSL, IDSL, xDSL, Frame Relay, Cell Relay and VPOP-Dial Access Service (an SBC Frame Relay-based service) that rely on packetized technology and have the capability of supporting transmissions speeds of at least 56 kilobits per second in both directions. This definition of Advanced Services does not include (1) data services that are not primarily based on packetized technology, such as ISDN, (2) x.25-based and x.75-based packet technologies, or (3) circuit switched services (such as circuit switched voice grade service) regardless of the technology, protocols or speeds used for the transmission of such services.

3. Section 272 Requirements for the Separate Advanced Services Affiliates. Subject to the transitional mechanisms discussed below, the separate Advanced Services affiliate(s) required by this Section I shall operate in accordance with the structural, transactional, and non-discrimination requirements that would apply to a separate affiliate's relationships with a BOC under 47 U.S.C. § 272(b), (c), (e), and (g), as interpreted by the Federal Communications Commission (the "Commission") as of August 27, 1999, except to the extent those provisions are inconsistent with the provisions of this Paragraph, in which case the provisions of this Paragraph shall apply. Except for the specific exception for OI&M services in Subparagraph b, below, SBC/Ameritech shall comply with the Commission's accounting safeguards pursuant to 47 U.S.C. § 272 for all transactions between an incumbent LEC and a separate Advanced Services affiliate and shall continue to do so regardless of, and consistent with, the specific accounting method SBC/Ameritech uses. If the separate Advanced Services affiliate does not deviate (other than in an inadvertent or incidental manner) from the requirements of 47 U.S.C. § 272(b), (c), (e), and (g) except as described in this Paragraph and Subparagraphs below, such separate

affiliate(s) shall not be deemed a successor or assign of a BOC or incumbent LEC for purposes of applying 47 U.S.C. §§ 153(4) or 252(h).

a. Any SBC/Ameritech separate Advanced Services affiliate and any SBC/Ameritech incumbent LEC may joint market their services with the services of the other, without being subject to any non-discrimination requirement under these Conditions. Permitted joint marketing by the incumbent LEC that may be conducted on an exclusive basis would include the sale of Advanced Services provided by the Advanced Services affiliate and the transfer of the customer's Advanced Services order identified by the incumbent LEC through inbound or outbound marketing to the affiliate for completion. When performing these joint marketing activities later than 180 days after the Merger Closing Date in all states except Connecticut, the employees of the incumbent LEC may only access the incumbent LEC's loop qualification information through the same Operations Support Systems ("OSS") as are made available to unaffiliated telecommunications carriers, as described in Paragraph 15a. Permitted joint marketing by the Advanced Services affiliate would include completion of orders for Advanced Services and local services by the affiliate (using the same interfaces and processes used by unaffiliated telecommunications carriers as required by these Conditions) and the transfer of customer orders or calls identified by the affiliate to the SBC/Ameritech incumbent LEC for provisioning of the customer's local service order. Permitted joint marketing by either the incumbent LEC or the separate Advanced Services affiliate would include customer care. For purposes of these Conditions, "customer care" means functions performed after the sale that involve interaction with the customer, specifically on-going customer notification of service order progress, response to customer inquiries regarding the status of an order, identification of troubles affecting the customer's service, inputting information regarding trouble tickets (such as customer contact information, circuit identification number, type of trouble, and accessibility of the customer location), network trouble isolation (i.e., determining whether the trouble is caused by the services or unbundled elements provided by the incumbent LEC, by Advanced Services Equipment, or by customer premises equipment), payment arrangements, account adjustment (including changes to customer information), account balance inquiries, account closure, responses to legal actions affecting or involving the customer, and receipt and resolution of customer complaints. The SBC/Ameritech incumbent LEC may provide billing and collection services to the separate Advanced Services affiliate on an exclusive basis, provided, however, that the charges of the separate Advanced Services affiliate shall be stated on a separate bill page from the charges of the incumbent LEC. Transactions between the incumbent LEC and a separate Advanced Services affiliate that are permitted by this Subparagraph shall be made pursuant to a written agreement between the incumbent LEC and the affiliate.

b. Any SBC/Ameritech incumbent LEC may provide operations, installation, and maintenance ("OI&M") services (not including network planning, engineering, design or assignment services), including the use of systems and databases associated with these services, to any separate Advanced Services affiliate on a non-discriminatory basis pursuant to a tariff or approved interconnection agreement, provided that the same services made available to the separate Advanced Services affiliate are made available to unaffiliated providers of Advanced Services on a non-discriminatory basis consistent with the requirements of 47 U.S.C. § 272(c) and the Commission's implementing rules as in effect on August 27, 1999, where not inconsistent with the provisions of this Section. With respect to these transactions,

SBC/Ameritech shall comply with the Commission's Section 272 accounting safeguards and will continue to do so regardless of, and consistent with, the specific accounting method that SBC/Ameritech uses. However, public disclosure of the governing interconnection agreement (including the prices, discounts, terms and conditions associated with that agreement) shall replace the transaction disclosure requirements as applied to the separate Advanced Services affiliate for facilities and services provided pursuant to such agreement. In order to provide for an orderly and efficient transfer of personnel and systems to the separate Advanced Services affiliate, for a period of not more than 180 days after the Merger Closing Date, the incumbent LEC may provide (under a written agreement) network planning, engineering, design and assignment services, including the use of systems and databases associated with these services, on an exclusive basis to the separate Advanced Services affiliate.

c. The incumbent LEC and separate Advanced Services affiliate(s) may separately own facilities or network equipment used specifically to provide Advanced Services ("Advanced Services Equipment"), provided that the separate Advanced Services affiliate shall own and operate all new Advanced Services Equipment (as defined below) used to provide Advanced Services (including equipment put into service to expand the capability or capacity of existing Advanced Services Equipment) put into service by SBC/Ameritech later than 30 days after the Merger Closing Date. Repair and/or replacement of Advanced Services Equipment owned by the incumbent LEC shall not be considered to be new Advanced Services Equipment put into service. For purposes of this Section I, Advanced Services Equipment is: (1) DSLAMs or functionally equivalent equipment; (2) spectrum splitters that are used solely in the provision of Advanced Services; (3) packet switches and multiplexers such as ATMs and Frame Relay engines used to provide Advanced Services; (4) modems used in the provision of packetized data; and (5) DACS frames used only in the provision of Advanced Services. Spectrum splitters (or the equivalent functionality) used to separate the voice grade channel from the Advanced Services channel shall not be considered Advanced Services Equipment; any such splitters installed after the Merger Closing Date that are located at the customer premises shall be considered network terminating equipment. In order to allow an efficient transition to the non-discriminatory use of Advanced Services Equipment or an efficient transfer of Advanced Services Equipment to the separate Advanced Services affiliate, any Advanced Service that was provided by the incumbent LEC to its embedded base of customers in a state as of the Merger Closing Date may continue to be provisioned by the incumbent LEC and be provided (under a written agreement) to the separate Advanced Services affiliate on an exclusive basis within the state until 180 days after the affiliate has obtained all necessary approvals and authorizations to provide such services within the state, as described in Paragraph 6. Additionally, the incumbent LECs may provide the ADSL service derived from the integrated combination of an unbundled loop, a DSLAM, and spectrum splitters at each end of the unbundled loop where the unbundled loop is also used to provide voice grade service ("Interim Line Sharing") to the separate Advanced Services affiliate(s) on an exclusive basis within any geographic area until line sharing is provided to unaffiliated providers of Advanced Services within the same geographic area, as described in Paragraph 8, provided that the incumbent LEC provides unaffiliated providers of Advanced Services within the same geographic area the Discounted Surrogate Line Sharing Charges, as described in Paragraph 14;

d. The incumbent LEC may (but shall not be required to) transfer to the separate Advanced Services affiliate(s), on an exclusive basis, any Advanced Services Equipment, including supporting facilities and personnel, during a "Grace Period." The Grace Period shall be from August 27, 1999 until the date that is 180 days after the date that the Commission issues a final order, not including any appeals, in the UNE remand proceeding (CC Docket 96-98). In states where regulatory approval is required to transfer Advanced Services Equipment, if SBC/Ameritech seeks such required regulatory approval during the Grace Period, and completes the transfer of Advanced Services Equipment for which regulatory approval is required within 180 days after receiving such approval, then such Advanced Services Equipment shall be deemed to have been transferred during the Grace Period. Such Advanced Services Equipment that may be transferred to the separate affiliate on an exclusive basis is limited to that equipment described in Subparagraph c above and does not include any facilities or equipment deemed to be a mandatory unbundled network element under 47 C.F.R. § 51.319 (as in effect on January 24, 1999).

e. The separate Advanced Services affiliates may use the incumbent LEC's name, trademarks, or service marks on an exclusive basis.

f. Employees of the separate Advanced Services affiliate(s) may, on an exclusive basis, be located within the same buildings and on the same floors as employees of the incumbent LECs.

4. Steady-state Provisioning of Advanced Services. After a transition period (as defined in Subparagraph 6g below), all Advanced Services offered by SBC/Ameritech in the SBC/Ameritech Service Area will be provisioned in accordance with the terms of this Paragraph, provisions which are consistent with the provisions of Paragraph 3. After such transition period, the overall responsibility for providing Advanced Services in the SBC/Ameritech Service Area shall rest with a separate Advanced Services affiliate. In fulfilling those responsibilities a separate Advanced Services affiliate may utilize the facilities and services of an incumbent LEC consistent with the provisions of Paragraph 3. Specifically, with respect to SBC/Ameritech's steady-state provisioning of Advanced Services in the SBC/Ameritech Service Area, this Paragraph describes (1) the activities that an SBC/Ameritech incumbent LEC may undertake, and associated conditions that apply if an incumbent LEC chooses to perform such activities, and (2) the activities that are the responsibility of a separate Advanced Services subsidiary and which may not be performed by an incumbent LEC.

a. Creating an Inventory of Advanced Services Equipment and Advanced Service Capability. Consistent with the Commission's rules implementing the provisions of 47 U.S.C. § 272(b)(1), the separate Advanced Services affiliate shall be responsible for network planning and engineering functions related to Advanced Services, and these functions may not be provided by an incumbent LEC. The network planning and engineering functions related to Advanced Services that are the responsibility of the separate Advanced Services affiliate and which may not be performed by an incumbent LEC include:

(1) Determining where, when, and how much of an Advanced Services Equipment needs to be deployed to meet forecasted customer demands, and ensuring

that such equipment is compatible with the interconnection services (e.g., unbundled local loops) and/or tariffed services (e.g., DS1 special access service) the separate Advanced Services affiliate will purchase from the incumbent LEC.

(2) Arranging for the purchase of Advanced Services Equipment.

(3) Arranging and negotiating for collocation space with the incumbent LEC under the same terms and conditions, and utilizing the processes that are made available to unaffiliated telecommunications carriers, and arranging for any new Advanced Services Equipment to be delivered.

(4) Inventorying, in systems and databases owned by the separate Advanced Services affiliate, its Advanced Services Equipment deployed and identifying whether such equipment is used or available to provide Advanced Services to customers.

The incumbent LEC may, pursuant to the OI&M provisions of Subparagraph 3b, perform the following tasks that are associated with creating an inventory of Advanced Services Equipment and Advanced Service capability:

(5) The incumbent LEC may install the affiliate's Advanced Services Equipment. If the incumbent LEC provides these services to the separate Advanced Services affiliate, it must provide the same services under the same terms and conditions to unaffiliated telecommunications carriers of Advanced Services.

(6) An incumbent LEC technician may connect together various items of Advanced Services Equipment owned by the affiliate located in virtual collocation space or other space controlled by the incumbent LEC, or may connect various items of Advanced Services Equipment owned by the affiliate located in such space with telecommunications services and/or unbundled network elements ordered by the affiliate (e.g., the incumbent LEC technician could connect a DSLAM to an ATM switch via a DS3 special access service ordered by the affiliate), in accordance with a work order from the affiliate. If the incumbent LEC provides these services to the separate Advanced Services affiliate, it must provide the same services under the same terms and conditions to unaffiliated telecommunications carriers, and it must provide unaffiliated telecommunications carriers access to the same process for sending work orders to the incumbent LEC as the incumbent LEC provides to the affiliate.

(7) An incumbent LEC technician may connect together various items of Advanced Services Equipment owned by the affiliate located in physical collocation space, or may connect various items of Advanced Services Equipment owned by the affiliate located in physical collocation space with telecommunications services and/or unbundled network elements ordered by the affiliate, in accordance with a work order from the affiliate. If the incumbent LEC provides these services to the separate Advanced Services affiliate, it must provide the same services under the same terms and conditions to unaffiliated telecommunications carriers, and it must provide unaffiliated telecommunications carriers access to the same process for sending work orders to the incumbent LEC as the incumbent LEC provides to the affiliate.

b. Customer Sales Process for New Installations. Consistent with the joint marketing provisions of Subparagraph 3a, the incumbent LEC may, on an exclusive basis, complete the sale of Advanced Services on behalf of the separate Advanced Services affiliate utilizing any of the following activities:

(1) On inbound customer calls, the incumbent LEC service representative may discuss Advanced Services with the customer and obtain the customer's agreement to purchase an Advanced Service provided by the separate Advanced Services affiliate,

(2) An incumbent LEC service representative may make outbound calls to discuss Advanced Services with a customer and may obtain the customer's agreement to purchase an Advanced Service provided by the separate Advanced Services affiliate,

(3) During a sales discussion with a customer, an incumbent LEC service representative may review loop qualification information to determine if it is possible to provide an Advanced Service to the customer provided, however, that the incumbent LEC service representative may only have access to the same loop qualification information of the incumbent LEC as is available to unaffiliated telecommunications carriers and may only access such loop qualification information through the same OSS interfaces as are made available to unaffiliated telecommunications carriers,

(4) During a sales discussion with a customer, an incumbent LEC service representative may review Advanced Services availability information provided to the incumbent LEC by the separate Advanced Services affiliate to determine whether the affiliate offers a certain Advanced Service in the area where the customer resides,

(5) Upon securing a customer's agreement to purchase an Advanced Service provided by the separate Advanced Services affiliate, the incumbent LEC service representative may obtain all customer information necessary to complete the order (e.g., name, address, due date, premises access information, services, ISP information, CPE information). The incumbent LEC service representative must pass such information to the separate Advanced Services affiliate for further processing of the customer's order by the affiliate.

c. Design of the Customer's Advanced Service Circuit. Consistent with the Commission's rules implementing the provisions of 47 U.S.C. § 272(b)(1), a separate Advanced Services affiliate shall be responsible for circuit design functions related to a customer's Advanced Services sales order, and these functions may not be performed by an incumbent LEC. The separate Advanced Services affiliate is responsible for the overall design of the Advanced Services circuit, but the incumbent LEC is responsible (and the affiliate is not responsible) for the design of unbundled network elements or telecommunications services used in the Advanced Services circuit where these elements or services are provided by the incumbent LEC. The circuit design functions related to a customer's Advanced Services order that are the responsibility of the separate Advanced Services affiliate include:

(1) The identification of Advanced Services network components, unbundled network elements, telecommunications services and work activities necessary to provision the Advanced Service circuit to the customer's premises;

(2) The determination of the routing of the Advanced Services circuit and the location(s) of the identified Advanced Services network components, unbundled network elements, and telecommunications services;

(3) The creation of a work order to have all such Advanced Services network components, unbundled network elements and telecommunications services made available and all such activities completed. Examples of Advanced Services network components, unbundled network elements and telecommunications services that would be identified in the design stage are (i) unbundled local loops and DS1 special access circuits provided by the incumbent LEC, and (ii) DSLAMs and ATM switch ports provided by the separate Advanced Services affiliate. Examples of work activities that would be identified in the design stage are (i) the conditioning of an unbundled local loop, (ii) the cross-connections required to connect all of the components, and (iii) the installation of Advanced Services Customer Premises Equipment ("CPE") at the customer premises.

d. Assignment of the Advanced Services Equipment Required to Provide the Customer's Advanced Services Circuit. Consistent with the Commission's rules implementing the provisions of 47 U.S.C. § 272(b)(1), the separate Advanced Services affiliate shall be responsible for the assignment functions related to the Advanced Services Equipment used to provision a customer's Advanced Services order, and these functions may not be performed by an incumbent LEC. Examples of the assignment functions related to a customer's Advanced Services order that are the responsibility of the separate Advanced Services affiliate include (i) assignment of the DSLAM equipment, and (ii) assignment of the ATM switch port.

e. Creating and Maintaining the Customer's Record, Including the Customer's Advanced Service Circuit Layout Record. The separate Advanced Services affiliate shall be responsible for creating and maintaining all records associated with the customer's Advanced Services account, and these records may not be created or maintained by an incumbent LEC. These records may be provided to an incumbent LEC for its use in providing joint marketing (including customer care) and billing and collection services to the separate Advanced Services affiliate. The records that the separate Advanced Services affiliate shall be responsible for creating and maintaining include:

(1) The record that provides the Advanced Services network components, unbundled network elements, and telecommunications services (including location, identification numbers, etc.) utilized by the separate Advanced Services affiliate to provision the customer's Advanced Services circuit. Where the separate Advanced Services affiliate utilizes the telecommunications services or unbundled network elements of the incumbent LEC, the incumbent LEC will be responsible for all records associated with how such services or unbundled network elements are provisioned. For example, if the affiliate orders (from the incumbent LEC) a DS1 special access service from location A to location Z, (i) the affiliate's circuit layout record will reflect the DS1 service from location A to location Z, and (ii) the

incumbent LEC's record will reflect the layout of the circuit utilized to provision the DS1 service (e.g., that the circuit routes from location A through locations B and C before it terminates at location Z).

(2) The record that contains the information necessary to facilitate billing the customer for the Advanced Service being provided to the customer.

f. Ordering, from the Incumbent LEC, the Interconnection Facilities and Telecommunications Services Required to Provide the Customer's Advanced Services Circuit. The separate Advanced Services affiliate shall be responsible for ordering all interconnection facilities (e.g., unbundled local loops) and all telecommunications services (e.g., DS1 special access service) from the incumbent LEC, and the ordering of such facilities and services may not be performed by an incumbent LEC. The incumbent LEC must permit unaffiliated telecommunications carriers to order such facilities and services under the same terms and conditions, and to utilize the same processes, as are made available to the separate Advanced Services affiliate. In particular, the separate Advanced Services affiliate may utilize only those OSS interfaces for ordering unbundled network elements and other interconnection services as are made available to unaffiliated telecommunications carriers.

g. Connecting and Testing the Network Components and Telecommunications Services Required to Provision the Customer's Advanced Services Circuit. An incumbent LEC technician may, pursuant to the OI&M provisions of Subparagraph 3b, perform the following tasks:

(1) An incumbent LEC technician may, in accordance with a work order received from the separate Advanced Services affiliate, connect the various network components and telecommunications services utilized to provision the customer's Advanced Service circuit. These connections could include (but would not be limited to) the connection from an unbundled loop to a DSLAM port identified by the affiliate, and the connection from a DS1 special access service to an ATM switch port identified by the affiliate. If the incumbent LEC provides these services to the separate Advanced Services affiliate, it must provide the same services under the same terms and conditions to unaffiliated telecommunications carriers, and it must provide unaffiliated telecommunications carriers access to the same process for sending work orders to the incumbent LEC as the incumbent LEC provides to the affiliate.

(2) An incumbent LEC technician may, in accordance with a work order received from the separate Advanced Services affiliate, test the customer's Advanced Service circuit after all of the various network components and telecommunications services utilized to provision the circuit have been connected together. In performing this test, the technician may use whatever test systems or equipment are typically made available to the technician. If the incumbent LEC provides these services to the separate Advanced Services affiliate, it must provide the same services under the same terms and conditions to unaffiliated telecommunications carriers, and it must provide unaffiliated telecommunications carriers access to the same process for sending work orders to the incumbent LEC as the incumbent LEC provides to the affiliate.

h. Installing and Testing any CPE Associated with the Customer's Advanced Service. An incumbent LEC technician may, pursuant to the OI&M provisions of Subparagraph 3b, install and test CPE at the customer premises on behalf of the separate Advanced Services affiliate. If the incumbent LEC provides these services to the separate Advanced Services affiliate, it must provide the same services under the same terms and conditions to unaffiliated telecommunications carriers.

i. Advising the Customer of the Status of the Order. Consistent with the joint marketing provisions of Subparagraph 3a, an incumbent LEC service representative may, on an exclusive basis on behalf of the separate Advanced Services affiliate, provide post-sale advice to the customer regarding the status of the customer's order. The incumbent LEC service representative must obtain all information regarding the status of the customer's Advanced Service order from the separate Advanced Services affiliate.

j. Receipt and Isolation of Troubles Affecting the Customer's Advanced Service. Consistent with the joint marketing provisions of Subparagraph 3a, an incumbent LEC service representative may, on an exclusive basis on behalf of the separate Advanced Services affiliate, perform the following tasks:

(1) Receive a customer report of trouble on an Advanced Service provided by the separate Advanced Services affiliate, including a discussion with the customer to identify all information the customer has about the trouble.

(2) Discuss such trouble with the customer to determine whether the trouble might be caused by the customer's Advanced Services CPE.

(3) Access remote testing and diagnostic functionality to isolate the trouble to the Advanced Services network components, unbundled network elements, or telecommunications services used to provision the Advanced Service circuit. In performing such trouble isolation, the incumbent LEC service representative may only access remote testing and diagnostic functionality as is made available to unaffiliated telecommunications carriers.

(4) Send a request to the appropriate work group to have the trouble repaired. If the separate Advanced Services affiliate has contracted with the incumbent LEC (pursuant to the OI&M provisions of Subparagraph 3b) to have the incumbent LEC maintain the Advanced Service Equipment to which the trouble has been isolated, the incumbent LEC service representative may send the request directly to the incumbent LEC work group that is providing such maintenance provided, however, that the LEC must offer unaffiliated telecommunications carriers the same capability (i.e., to send a repair request directly to the incumbent LEC work group that has been contracted to provide maintenance on the Advanced Services Equipment of the unaffiliated carrier).

k. Repair of Troubles Affecting the Customer's Advanced Service. A separate Advanced Services affiliate is responsible for maintaining and repairing any Advanced Services Equipment it owns. To fulfill this responsibility, a separate Advanced Services affiliate may contract with an incumbent LEC, pursuant to the OI&M provisions of Subparagraph 3b, to

maintain and repair Advanced Services Equipment owned by the affiliate. If the incumbent LEC provides these services to the separate Advanced Services affiliate, it must provide the same services under the same terms and conditions to unaffiliated telecommunications carriers.

l. Service the Customer's Account. Consistent with the joint marketing provisions of Subparagraph 3a, an incumbent LEC service representative may, on an exclusive basis on behalf of the separate Advanced Services affiliate, perform certain tasks to service the account of a separate Advanced Services affiliate customer. Specifically, these tasks may include:

(1) Receiving customer calls to change an account (e.g., change of name, change of billing address).

(2) Receiving and resolving customer complaints or inquiries.

(3) Interact with the customer or change the customer's account information to respond to legal actions affecting or involving the customer.

(4) Interacting with the customer to respond to account balance inquiries and to make payment arrangements.

m. Billing and Collecting for the Advanced Service. Consistent with the joint marketing provisions of Subparagraph 3a, an incumbent LEC may, on an exclusive basis, provide billing and collection services for a separate Advanced Services affiliate provided, however, that the charges of the affiliate must be stated on a separate bill page from the charges of the incumbent LEC.

n. Transitional Mechanisms. In recognition of the fact that the SBC/Ameritech incumbent LECs provided most Advanced Services prior to the Merger Closing Date and to minimize any disruption to the efficient and timely delivery of Advanced Services to customers, several transitional mechanisms have been adopted to permit an orderly transition to the steady-state provisioning of Advanced Services described in Subparagraphs (a) through (m) above.

(1) Interim Line Sharing. Pursuant to the provisions of Subparagraph 3c, an incumbent LEC may provide, on an exclusive basis, Interim Line Sharing (as defined in Subparagraph 3c) to a separate Advanced Services affiliate. The duration of this transition mechanism, with respect to new activations, is dependent on when the FCC requires SBC/Ameritech to provide line sharing to unaffiliated telecommunications carriers.

(2) State Approvals for Providing New Activations of Advanced Services. Pursuant to the provisions of Subparagraphs 6a, 6b, and 6d, an incumbent LEC may continue to provide new activations of Advanced Services in a state until 30 days after the separate Advanced Services affiliate has received all required state certifications and approvals to provide Advanced Services. The affiliate is required to file for all such approvals prior to the Merger Closing Date.

(3) State Approvals for Providing Advanced Services to Embedded Advanced Services Customers. Pursuant to the provisions of Subparagraphs 6a, 6c, and 6e, an incumbent LEC may continue to provide Advanced Services to embedded customers in a state for 270 days after the Merger Closing Date or, if later, until 30 days after SBC/Ameritech have obtained all necessary approvals in that state to transfer the embedded customers to the separate Advanced Services affiliate. The affiliate is required to file for all such approvals prior to the Merger Closing Date, and the incumbent LEC is required to file for any required tariff approvals no later than 5 business days after the Merger Closing Date.

(4) Network Planning, Engineering, Design, and Assignment. Pursuant to the provisions of Subparagraph 2b, the incumbent LEC may, on an exclusive basis, provide network planning, engineering, design and assignment functions to the separate Advanced Services affiliate for a period of no more than 180 days after the Merger Closing Date.

(5) Advanced Services Equipment. Pursuant to the provisions of Subparagraph 3c, the incumbent LEC may continue to own Advanced Services Equipment that was installed no later than the date that is 30 days after the Merger Closing Date provided, however, that if the incumbent LEC permits the separate Advanced Services affiliate to use such equipment (except for such equipment that is used to provide Interim Line Sharing) the incumbent LEC must permit unaffiliated telecommunications carriers to use the equipment under the same terms and conditions.

(6) Loop Qualification Information. Pursuant to the provisions of Subparagraph 3a, the incumbent LEC when engaged in the joint marketing permitted by Subparagraph 3a, may access loop qualification information through an OSS interface that is not available to unaffiliated telecommunications carriers for a period of no more than 180 days after the Merger Closing Date. During this transition, unaffiliated telecommunications carriers will be able to access the same loop qualification information as is available to the incumbent LEC but will do so through a different OSS interface.

5. Requests for State Approval and Schedule for Establishing Advanced Services Affiliates. SBC/Ameritech will establish the separate Advanced Services affiliate(s) required by Section I in accordance with the following provisions and schedule:

a. In any state where SBC/Ameritech will be providing Advanced Services on the Merger Closing Date, the separate Advanced Services affiliate(s) shall, prior to the Merger Closing Date: negotiate and file for approval pursuant to 47 U.S.C. §§ 251 and 252 interconnection agreement(s) with the affiliated incumbent LEC setting forth terms, conditions and prices for the provision of interconnection, telecommunications services, and network elements that the affiliated incumbent LEC shall provide to the separate Advanced Services affiliate for the purposes of the separate affiliate's provision of Advanced Services. Such agreement(s) shall be sufficiently detailed to permit telecommunications carriers to exercise effectively their "pick-and-choose" rights under 47 U.S.C. § 252(i) and the Commission's rules implementing that section. A telecommunications carrier may pick and choose the specific types of OI&M services that the incumbent LEC has agreed to provide to the separate Advanced

Services affiliate in that state. If an SBC/Ameritech incumbent LEC provides OI&M services to a separate Advanced Services affiliate within a state, the incumbent LEC shall offer those OI&M services to unaffiliated telecommunications carriers within the same state on a non-discriminatory basis.

b. In any state where SBC/Ameritech will be providing Advanced Services on the Merger Closing Date, the separate Advanced Services affiliate(s) shall, prior to the Merger Closing Date, consistent with state law, file for any required state certifications or approvals necessary for the separate affiliate to provide Advanced Services.

c. In any state where an SBC/Ameritech incumbent LEC will provide Advanced Services on the Merger Closing Date, SBC/Ameritech shall establish prior to the Merger Closing Date a separate Advanced Services affiliate.

d. In any state where SBC/Ameritech provided Advanced Services through a separate Advanced Services affiliate on August 27, 1999, except Connecticut, such affiliate shall be in compliance with the provisions of Paragraph 3 prior to the Merger Closing Date. In Connecticut, SBC/Ameritech shall establish, prior to the Merger Closing Date, a separate Advanced Services affiliate in compliance with the provisions of Paragraph 3, to comply with the provisions of Subparagraphs 6b and 6d.

e. In any state where SBC/Ameritech does not provide Advanced Services on the Merger Closing Date, SBC/Ameritech shall incorporate and establish a separate Advanced Services affiliate to provide Advanced Services prior to providing Advanced Services in that state.

f. Notwithstanding any other provision of this Paragraph or Paragraph 6, below, SBC/Ameritech may provide an Advanced Service through an SBC/Ameritech incumbent LEC (or other entity that does not comply with the provisions of Paragraph 3) in any state until SBC/Ameritech has obtained all necessary state authorizations and approvals to provide the Advanced Service through the separate Advanced Services affiliate in that state.

6. Providing Advanced Services through the Separate Advanced Services Affiliate. SBC/Ameritech shall phase-in the provision of Advanced Services through its separate Advanced Services affiliate(s), as follows:

a. Ameritech States. In the Ameritech States, SBC/Ameritech shall provide all xDSL Advanced Services through a separate Advanced Services affiliate(s) no later than the Merger Closing Date. SBC/Ameritech shall provide new activations of all other Advanced Services (i.e., Frame Relay) in the Ameritech States through a separate Advanced Services affiliate(s) no later than 30 days after the later of (i) the Merger Closing Date, or (ii) Commission and/or state commission approval of any tariffs necessary for the separate Advanced Services affiliate to provide such Advanced Services. Any non-xDSL Advanced Services provided by the Ameritech incumbent LEC on either a retail or wholesale basis in the Ameritech States prior to the Merger Closing Date shall be transferred to a separate Advanced Services affiliate no later than the later of: (i) 30 days after state approval of all necessary agreements with the affiliated incumbent LEC that are necessary to carry out the provisions of this Section I, including any

interconnection agreement(s), (ii) 30 days after approval of any tariffs necessary for the separate Advanced Services affiliate to provide such Advanced Services, or (iii) 270 days after the Merger Closing Date. Any tariffs necessary for the separate Advanced Services affiliate to provide those Advanced Services that were provided by the incumbent LEC on the Merger Closing Date shall be filed no later than 5 business days after the Merger Closing Date.

b. SBC States - New Activations for Advanced Services Customers that are Providers of Internet Services. In each SBC State, SBC/Ameritech shall provide new activations of Advanced Services to customers that are providers of Internet services through a separate Advanced Services affiliate no later than 30 days after the later of (i) state approval of all agreements with the affiliated incumbent LEC that are necessary to carry out the provisions of this Section I, including any interconnection agreement(s), or (ii) Commission approval of any tariffs necessary for the separate Advanced Services affiliate to provide such Advanced Services. Any tariffs necessary for the separate Advanced Services Affiliate to provide such Advanced Services shall be filed no later than 5 business days after the Merger Closing Date. The terms of this Subparagraph b are established in recognition of, and are expressly contingent upon, the fact that the FCC has determined that Advanced Services used to provide Internet services are interstate access services. In the event such services are determined to be intrastate, and state certification is required to provide new activations of Advanced Services to customers that are providers of Internet services through a separate Advanced Services affiliate, the obligations of this Subparagraph b shall apply 30 days after state approval of any certification that the state deems required for the separate Advanced Services affiliate to provide new activations of Advanced Services to customers that are providers of Internet services.

c. SBC States - Incumbent LEC's Embedded Base of Advanced Services Customers That Are Providers of Internet Services. In each SBC State, any Advanced Services provided by SBC/Ameritech's incumbent LEC in that state to customers that are providers of Internet services shall be transferred to the separate Advanced Services affiliate no later than the later of: (i) 30 days after such state approval of all necessary agreements as discussed in Subparagraph b, (ii) 30 days after Commission approval of any tariffs necessary for the separate Advanced Services affiliate to provide such Advanced Services, or (iii) 180 days after the Merger Closing Date. Any tariffs necessary for the separate Advanced Services Affiliate to provide such Advanced Services shall be filed no later than 5 business days after the Merger Closing Date. The terms of this Subparagraph c are established in recognition of, and are expressly contingent upon, the fact that the Commission has determined that Advanced Services used to provide Internet services are interstate access services. In the event such services are determined to be intrastate, and state certification is required to transfer Advanced Services provided by SBC/Ameritech's incumbent LEC to customers that are providers of Internet services to the separate Advanced Services affiliate, the obligations of this Subparagraph c shall apply 30 days after state approval of any certification that the state deems required for the separate Advanced Services affiliate to provide Advanced Services to customers that are providers of Internet services.

d. SBC States - New Activations for Other Advanced Services Customers. In each SBC State, SBC/Ameritech shall provide new activations of Advanced Services to customers that are not providers of Internet services through a separate Advanced Services

affiliate no later than 30 days after the later of: (i) state approval of all agreements with the affiliated incumbent LEC necessary to carry out the provisions of this Section I, including any interconnection agreement(s), (ii) state approval of any certification that the state deems required for the separate Advanced Services affiliate to provide Advanced Services in that state, or (iii) approval of any federal or state tariffs necessary for the separate Advanced Services affiliate to provide such Advanced Services. Such tariffs shall be filed no later than 3 days after state approval of any certification that the state deems required for the separate Advanced Services affiliate to provide Advanced Services in that state.

e. SBC States - Incumbent LEC's Embedded Base of Other Advanced Services Customers. In each SBC State, any Advanced Services provided by SBC/Ameritech's incumbent LEC in that state to customers that are not providers of Internet services shall be transferred to the separate Advanced Services affiliate no later than the later of: (i) 30 days after state approval of any necessary certification, tariffs, or any other required state authorization, (ii) 30 days after state approval of all necessary agreements, including any agreement to transfer customers from the incumbent LEC to the separate Advanced Services affiliate, or (iii) 180 days after the Merger Closing Date. Any necessary tariffs shall be filed no later than 3 days after state approval of any certification that the state deems required for the separate Advanced Services affiliate to provide Advanced Services in that state. It is understood that in Connecticut the duration of the transition period may be prolonged as a consequence of state-law restrictions relating to Advanced Services on SNET and its affiliates.

f. Existing Tariffs. To comply with the requirements of Subparagraphs a, b, and d above, SBC/Ameritech shall, no later than 3 days after obtaining all necessary certifications, authorizations, and/or approvals to provide new activations of an Advanced Service through a separate Advanced Services affiliate in a state, (i) file tariff changes with the Commission and/or the state commission to terminate the offering of new activations of such Advanced Service by the incumbent LEC, and (ii) cease initiating any marketing or sales of new activations of such Advanced Service from the tariffs of the incumbent LEC. Notwithstanding the requirements of Subparagraphs a, b, and d above, until such tariff changes are approved by the Commission and/or the state commission (including any mandatory customer notification period), the SBC/Ameritech incumbent LEC shall comply with such tariffs as then in effect if the incumbent LEC receives a request for a new activation of an Advanced Service.

g. Transition Period. In the SBC/Ameritech Service Areas in each SBC/Ameritech State, until such time as SBC/Ameritech is required, pursuant to the provisions of Subparagraphs a, b, or d, above, to provide new activations of Advanced Services through the separate Advanced Services affiliate in that state, SBC/Ameritech shall be permitted to provision such services through SBC/Ameritech's incumbent LEC in that state in the following manner, which is intended to be the "functional equivalent" of provisioning service through a separate Advanced Services affiliate.

(1) Either the SBC/Ameritech incumbent LEC or the separate Advanced Services affiliate may joint market Advanced Services to customers;

(2) Except for orders that contain ADSL service that uses Interim Line Sharing, as provided for in Paragraph 8, customer orders for Advanced Services obtained by the incumbent LEC must be passed to the separate Advanced Services affiliate for processing. For customer orders that contain ADSL service that uses Interim Line Sharing, as provided for in Paragraph 8, the incumbent LEC may, on an exclusive basis pursuant to a written agreement with the separate Advanced Services affiliate, process the order;

(3) Except for orders that contain ADSL service that uses Interim Line Sharing, as provided for in Paragraph 8, the separate Advanced Services affiliate shall order the facilities and/or services needed to provide the Advanced Service from the incumbent LEC. Within 180 days of the Merger Closing Date, the separate Advanced Services affiliate shall order such facilities utilizing the same interfaces with the incumbent LEC as the incumbent LEC provides to unaffiliated providers of Advanced Services. For customer orders that contain ADSL service that uses Interim Line Sharing, as provided for in Paragraph 8, the incumbent LEC may, on an exclusive basis pursuant to a written agreement with the separate Advanced Services affiliate, order the facilities needed to provide the ADSL service; and

(4) Any Advanced Services orders received by the separate Advanced Services affiliate shall be passed to the incumbent LEC, which shall provide Advanced Services to the SBC/Ameritech customer. The SBC/Ameritech incumbent LEC may lease from the separate Advanced Services affiliate any Advanced Services Equipment required for the incumbent LEC to provide any Advanced Service.

7. With respect to any state certification, state tariff approval or other state authorization required by this Section I, a Commission Order specifically determining that state certification, state tariff approval or other authorization is not required for the separate Advanced Services affiliate to provide certain interstate Advanced Services to certain types of customers shall apply in lieu of state certification, state tariff approval or other authorization for such interstate Advanced Services and such customers.

8. Provisioning Interim Line Sharing to the Separate Advanced Services Affiliate. Notwithstanding the non-discrimination provisions of Paragraph 3 above, an SBC/Ameritech incumbent LEC may provide Interim Line Sharing (as defined in Paragraph 3c) to a separate Advanced Services affiliate on an exclusive basis in accordance with the following provisions:

a. The SBC/Ameritech incumbent LEC may provide Interim Line Sharing capability to the separate Advanced Services affiliate within a certain geographic area for the provision of Advanced Services activated prior to the time that line sharing is provided to unaffiliated providers of Advanced Services within the same geographic area.

b. The SBC/Ameritech incumbent LEC shall establish and make available through interconnection agreements with the separate Advanced Services affiliate (and with unaffiliated telecommunications carriers pursuant to the provisions of Paragraph 14) surrogate charges for the costs incurred in making available an unbundled local loop capable of providing Advanced Services (such as ADSL) in combination with voice grade services ("Surrogate Line Sharing Charges"). For purposes of this Section I, "voice grade service" means the transmission

of an analog signal within an approximate bandwidth of 300 to 3000 Hz. The Surrogate Line Sharing Charges shall be 50 percent of the lowest monthly recurring charge, 50 percent of the lowest non-recurring line or service connection charge, and 100 percent of the lowest non-recurring service order charges (i.e., there is no discount for service order charges), for the unbundled local loop then effective that have been established by the state commission pursuant to 47 U.S.C. § 252(d)(1). The SBC/Ameritech incumbent LEC shall charge the separate Advanced Services affiliate these Surrogate Line Sharing Charges for the affiliate's shared use of a local loop if: (i) the SBC/Ameritech incumbent LEC is able to provision the Advanced Service of the separate Advanced Services affiliate over the same loop that the incumbent LEC is using to provide voice grade services on either a retail or wholesale basis, and (ii) the Advanced Service is within a spectral mask that is compatible with the incumbent LEC's voice grade service and the filters used by the incumbent LEC to provide Interim Line Sharing. The compatibility standard in the previous sentence shall be presumptively met if the Advanced Service utilizes a technology for which the spectral mask complies with an industry-recognized standard that would be compatible with both (i) the incumbent LEC's voice grade service, and (ii) the filters specified in Annex E to ANSI standard T1.413-1998. For any other technology, the separate Advanced Services affiliate may meet the compatibility standard by showing that the technology (i) would be compatible with the incumbent LEC's voice grade service and (ii) is compatible with the filters specified in Annex E to ANSI standard T1.413-1998. Surrogate Line Sharing Charges shall not apply retroactively to charges for an unbundled loop incurred prior to the effective date of the Surrogate Line Sharing Charges, but will apply to charges incurred after the effective date of the Surrogate Line Sharing Charges for both (i) recurring charges for qualifying loops in service, and (ii) recurring and non-recurring charges for new installations of qualifying loops. In order to be entitled to the Surrogate Line Sharing Charges, however, the SBC/Ameritech separate Advanced Services affiliate must certify to the incumbent LEC that it is not providing voice grade service in conjunction with Advanced Services over the broadband channel. The Surrogate Line Sharing Charge may be billed through credits, true-ups, or other billing mechanisms provided, however, that such credits, true-ups or other mechanisms are applied within 60 days of the initial billing for the service.

9. The separate Advanced Services affiliate(s) required by this Section shall, to the extent that they provide interstate exchange access services, be regulated by the Commission as non-dominant carrier(s) with respect to the provision of Advanced Services. The separate Advanced Services affiliate shall comply with the Commission's rules regarding tariffs, including the Commission's rule that non-dominant telecommunications carriers that provide interstate exchange access services are subject to a permissive detariffing requirement.

10. The Performance Measurements required by Section VII of these Conditions shall be reported separately to the Commission, on a proprietary basis and in accordance with Paragraph 1 of Attachment A, by each SBC/Ameritech incumbent LEC for each separate Advanced Services affiliate required by this Section I to the extent that such Performance Measurements are applicable. If the Commission orders that the SBC/Ameritech incumbent LECs must provide line sharing to unaffiliated providers of Advanced Services, then within 10 business days of the effective date of such an order SBC/Ameritech shall propose to the Chief of the Common Carrier Bureau an additional performance measurement, or an additional sub-measurement, to measure SBC/Ameritech's performance with respect to the provisioning of line

sharing. Within 90 days of receiving written notice that the Chief of the Common Carrier Bureau agrees that a line sharing measurement should be implemented, SBC/Ameritech shall implement the new measurement consistent with the provisions of Section VII.

11. In setting the annual bonuses paid to officers and management employees of a separate Advanced Services affiliate, SBC/Ameritech shall give substantial weight to the performance of the separate Advanced Services affiliate.

12. Separate Advanced Services Affiliate Sunset Provisions. The requirements of this Section I requiring SBC/Ameritech to provide Advanced Services through one or more separate affiliates, as described in this Section, shall terminate immediately upon any of the following events:

a. In each SBC/Ameritech State, the date that is 42 months after the Merger Closing Date.

b. The date upon which (i) legislation enacted by the U.S. Congress that specifically prohibits the Commission from requiring incumbent LECs to establish separate affiliates for the provision of Advanced Services becomes law, and (ii) the Commission modifies its rules and regulations in a manner that materially changes the substance of what is covered in this Section I (e.g., if the Commission were to establish rules that prohibit an incumbent LEC from providing joint marketing to an affiliate on an exclusive basis, or rules that prohibit an incumbent LEC from providing OI&M services to an affiliate on a non-discriminatory basis, either such change would be an example of a change that would be considered a material change); or

c. The date upon which a final and non-appealable judicial decision by a court of competent jurisdiction determines that, as a result of one or more of the permitted activities between the SBC/Ameritech incumbent LEC and the separate Advanced Services affiliate described in Subparagraphs 3a-f, the separate Advanced Services affiliate must be deemed a successor or assign of the incumbent LEC for the purposes of applying 47 U.S.C. §§153(4) or 252(h). However, such a judicial decision that is based solely on some other conduct of, or relationship between, the SBC/Ameritech incumbent LEC and/or the separate Advanced Services affiliate shall not be a basis for terminating any of the separate affiliate provisions of this Section I.

13. Upon the date that SBC/Ameritech determines, as a result of one or more of the provisions of Paragraph 12 above, to no longer provide Advanced Services through a separate affiliate in a particular state, then SBC/Ameritech shall be required to comply with the following provisions in that state until the date that is 48 months after the Merger Closing Date:

a. The Discounted Surrogate Line Sharing Charge provisions of Paragraphs 8b and 14, if the SBC/Ameritech incumbent LEC uses Interim Line Sharing (as defined in Paragraph 3c) to provide new activations of ADSL service;

- b. The Advanced Services OSS discount provisions of Paragraph 18;
- c. The SBC/Ameritech retail operations within the incumbent LEC shall use the EDI interface discussed in Paragraph 15c, below, for processing a substantial majority (i.e., at least 75 percent of pre-order inquiries and at least 75 percent of orders) of Advanced Services;
- d. SBC/Ameritech retail operations within the incumbent LEC shall only use those OSS for the provisioning of Advanced Services that are available to unaffiliated telecommunications carriers (except for ADSL service provisioned using Interim Line Sharing);
- e. The local loop information provisions of Paragraphs 19 and 20;
- f. The incumbent LEC shall provide unaffiliated telecommunications carriers with the same OI&M services at the customer premises that it provides for its own retail operations in the same SBC/Ameritech State with respect to the offering of Advanced Services; and
- g. The incumbent LEC shall be required to provide the enhanced OSS interfaces for provisioning Advanced Services as discussed in Paragraph 15, below.

II. Discounted Surrogate Line Sharing Charges

14. The terms for Surrogate Line Sharing Charge discounts offered by SBC/Ameritech to unaffiliated providers of Advanced Services for inclusion in interconnection agreements shall reflect the following:

- a. In any geographic area where the SBC/Ameritech incumbent LEC either (i) provides Interim Line Sharing for new activations of ADSL service to a separate Advanced Services affiliate per the provisions of Paragraph 8, above, or (ii) utilizes Interim Line Sharing to provide new activations of ADSL service provided by the incumbent LEC, the incumbent LEC shall charge unaffiliated providers of Advanced Services the same Surrogate Line Sharing Charges as described in Paragraph 8 for use of an unbundled local loop in the same geographic area, where: (i) the unaffiliated provider purchases the unbundled local loop to provide Advanced Services only and does not use the unbundled local loop to provide any voice grade service; (ii) the unaffiliated provider's Advanced Services are provided to an end user customer to whom the incumbent LEC provides voice grade service, on either a retail or wholesale basis, at the same premises; and (iii) the unaffiliated provider's Advanced Services are within a spectral mask that would, if line sharing were available, be compatible with the incumbent LEC's voice grade service and the filters used by the incumbent LEC to provide Interim Line Sharing. The compatibility standard in the previous sentence shall be presumptively met if the unaffiliated provider's Advanced Services utilize a technology for which the spectral mask complies with an industry-recognized standard that would be compatible with both (i) the incumbent LEC's voice grade service, and (ii) the filters specified in Annex E to ANSI standard T1.413-1998. For any other technology, the unaffiliated provider of Advanced Services may meet the compatibility standard by showing that the technology (i) would be compatible with the incumbent LEC's

voice grade service and (ii) is compatible with the filters specified in Annex E to ANSI standard T1.413-1998.

b. Surrogate Line Sharing Charges shall not apply retroactively to charges for an unbundled loop incurred prior to the effective date of the Surrogate Line Sharing Charges, but will apply to charges incurred after the effective date of the Surrogate Line Sharing Charges for both (i) recurring charges for qualifying loops in-service, and (ii) recurring and non-recurring charges for new installations of qualifying loops. SBC/Ameritech may provide the Surrogate Line Sharing Charges discounts through credits, true-ups, or other billing mechanisms, provided, however, that such credits, true-ups or other mechanisms are applied within 60 days of the initial billing for the service. To obtain the Surrogate Line Sharing Charges, a telecommunications carrier must provide written notification (which may include e-mail) to SBC/Ameritech identifying the unbundled loops that it is using or will use to provide a qualifying Advanced Service. The discounted Surrogate Line Sharing Charges provided by SBC/Ameritech to unaffiliated providers of Advanced Services shall end in a geographic area in an SBC/Ameritech State on the date when SBC/Ameritech begins providing line sharing to such unaffiliated providers in that same geographic area.

c. Unaffiliated providers of Advanced Services that obtain unbundled local loops for the Surrogate Line Sharing Charges shall, on a quarterly basis, certify to SBC/Ameritech and the appropriate state commission that they are using all unbundled local loops provided at the Surrogate Line Sharing Charges in accordance with Subparagraph a above. SBC/Ameritech shall have the right to hire, at its own expense, an independent third-party auditor to perform all necessary audits and inspections needed to assure that unbundled local loops provided for the Surrogate Line Sharing Charges are used in accordance with Subparagraph b above. Unaffiliated providers of Advanced Services that obtain unbundled local loops for the Surrogate Line Sharing Charges shall agree to cooperate in the performance of such audits and inspections. Audit information shall be restricted to SBC/Ameritech regulatory, legal, and/or wholesale personnel, and SBC/Ameritech shall prohibit those personnel from disclosing audit-related, customer-specific or company-specific proprietary information to SBC/Ameritech retail personnel. If SBC/Ameritech conducts any audit of an unaffiliated Advanced Service provider's use of unbundled local loops in a state, under this Subparagraph c, SBC/Ameritech's annual compliance report for the calendar year in which the investigation was concluded shall describe the uses of shared loops by SBC/Ameritech's separate Advanced Services affiliate(s) in the same state.

d. Any unaffiliated provider of Advanced Services found by the appropriate state commission to have violated the use restrictions of Subparagraph a or that fails to cooperate in an audit may be denied the Surrogate Line Sharing Charges on any unbundled local loop for which the use restrictions or audit provisions are violated. In addition, any such provider that intentionally and repeatedly violates the use restrictions of Subparagraph a may be denied the Surrogate Line Sharing Charges for unbundled local loops ordered or installed after the date of such a finding by a state commission.

e. For not less than 60 days after the date on which line sharing is last provided to unaffiliated providers of Advanced Services in a geographic area, SBC/Ameritech

shall waive all non-recurring charges for new installations of line sharing on behalf of unaffiliated providers of Advanced Services, where such new installations are installed to replace an unbundled local loop provided at the Surrogate Line Sharing Charges at the same customer premises to the same provider of Advanced Services.

III. Advanced Services OSS

15. SBC/Ameritech shall provide telecommunications carriers the following options for pre-ordering and ordering components used to provide digital subscriber line ("xDSL") and other Advanced Services (Section I of these Conditions):

a. Until SBC develops and deploys enhancements to its existing Datagate and EDI interfaces as described in Subparagraph 15c below: (i) SBC/Ameritech shall provide telecommunications carriers in the SBC/Ameritech Service Area, except for the SBC/Ameritech Service Area within Connecticut, not later than 180 days after the Merger Closing Date, with access to the same pre-order interface(s) utilized by SBC/Ameritech's retail operations in those states to obtain theoretical local loop length information or, in the alternative, SBC/Ameritech's retail operations shall utilize the same Datagate and/or Verigate pre-order interfaces that are available to unaffiliated telecommunications carriers to obtain theoretical local loop length information, and (ii) SBC/Ameritech shall provide unaffiliated telecommunications carriers access to Ameritech's existing EDI interface within each of the Ameritech States.

b. SBC/Ameritech shall provide unaffiliated telecommunications carriers with direct access to SORD, and the Ameritech and SNET equivalent service order processing systems, for pre-ordering and ordering xDSL and Advanced Services, as described in Paragraph 29 below.

c. Within 14 months after the Merger Closing Date (assuming the duration of Phase 2 described below is no longer than 90 days), SBC/Ameritech shall develop and deploy, in the SBC/Ameritech Service Area, except for the SBC/Ameritech Service Area within Connecticut, in advance of industry standards, enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and other Advanced Services components, and enhancements to the existing EDI interface for ordering xDSL and other Advanced Services components to be used in common by SBC/Ameritech's incumbent LEC service representatives (when engaged in permitted joint marketing), the separate Advanced Services affiliate(s), and by unaffiliated telecommunications carriers. In Connecticut, these enhancements to the existing Datagate or EDI interfaces shall be developed and deployed in conjunction with the introduction of the uniform application-to-application OSS interfaces described in Paragraph 26 below. In the interim, SBC/Ameritech shall continue to use its equivalent interfaces for the pre-ordering and ordering of xDSL and other Advanced Services components. All enhancements made to the existing Datagate and EDI interfaces by SBC/Ameritech shall remain in effect for a period of not less than 36 months after deployment, and SBC/Ameritech shall provide telecommunications carriers authorized to provide local services in the SBC/Ameritech Service Area ("CLECs") with 12 months advance notice of any plans to no longer make the enhancements available. Milestones applicable to the development and deployment of enhancements to the existing Datagate and EDI interfaces as set forth above are as follows:

(1) Phase 1 – SBC/Ameritech shall (i) complete a publicly available Plan of Record, which shall consist of an overall assessment of SBC's and Ameritech's existing Datagate and EDI interfaces, business processes and rules, hardware capabilities, data capabilities, and differences, and SBC/Ameritech's plan for developing and deploying enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and other Advanced Services components and enhancements to the existing EDI interface for ordering xDSL and other Advanced Services components, and (ii) notify all unaffiliated telecommunications carriers that have a current interconnection agreement with SBC/Ameritech of the Plan of Record. The target date for completion of Phase 1 is 60 days after the Merger Closing Date.

(A) Not later than 3 business days after the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission. SBC/Ameritech shall pay \$10,000 per business day per state in voluntary payments to the U.S. Treasury if the Chief of the Common Carrier Bureau determines in writing (after any appeals to the Commission, which may be taken) that SBC/Ameritech has failed to submit a Plan of Record that is in substantial compliance with the requirements of this Paragraph by the target date in any SBC/Ameritech State. Voluntary payments for all SBC/Ameritech States shall not exceed total of \$100,000 per business day for a failure to submit a Plan of Record that is in substantial compliance with the requirements of this Paragraph. The pendency of proceedings under this Subparagraph shall not delay the commencement of Phase 2 after the target date for Phase 1.

(B) If, within 90 days after the Merger Closing Date, one or more CLEC(s) requests enhancements to SBC/Ameritech's existing Datagate or EDI interfaces that are different from what is contained in the Plan of Record, then SBC/Ameritech shall begin Phase 2. If, within 90 days after the Merger Closing Date, no CLEC requests enhancements to SBC/Ameritech's existing Datagate or EDI interfaces that are different from what is contained in the Plan of Record, then Phase 2 will be considered completed and SBC/Ameritech shall file a notice with the Secretary of the Commission (within 3 business days after the date that is 90 days after the Merger Closing Date) and begin to develop and deploy the enhancements contained in the Plan of Record, pursuant to Phase 3 below.

(2) Phase 2 – SBC/Ameritech shall work collaboratively with CLECs, in a single series of workshop sessions (in multiple locations, if necessary), to obtain written agreement on enhancements to the existing Datagate or EDI interfaces identified in the Plan of Record, and a change management process, including a 12 month forward-looking view of process changes and deployment schedule. The target date for completion of Phase 2 is 30 days after the target date for completion of Phase 1 if there is a written agreement, or 90 days after the target date for completion of Phase 1 if Phase 2 issues are sent to an arbitrator for resolution. Successful completion of Phase 2 is dependent upon the full cooperation of all participants in consummating a written agreement with SBC/Ameritech on the work to be done. The Chief of the Common Carrier Bureau shall try to assist and encourage the parties to reach a written agreement. If SBC/Ameritech and all of the CLECs participating in the workshop reach a written agreement, SBC/Ameritech shall file a copy of that agreement with the Chief of the

Common Carrier Bureau and proceed with Phase 3. If SBC/Ameritech and all of the CLECs participating in the workshop cannot reach a written agreement within 90 days after the start of Phase 2, SBC/Ameritech shall and participating CLECs may notify the Chief of the Common Carrier Bureau and submit a list of the remaining unresolved issues in dispute, and SBC/Ameritech shall submit a plan for development and deployment of enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and other Advanced Services components, and enhancements to the existing EDI interface for ordering xDSL and other Advanced Services components that incorporates what was agreed to with the CLECs in the workshop sessions. The Chief of the Common Carrier Bureau shall (a) direct SBC/Ameritech to implement the plan for development and deployment of enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and other Advanced Services components, and enhancements to the existing EDI interface for ordering xDSL and other Advanced Services components as proposed by SBC/Ameritech in its entirety, (b) authorize SBC/Ameritech and the CLEC(s) to submit the remaining unresolved issues in dispute to consolidated binding arbitration, or (c) extend the collaborative period to continue efforts to obtain a written agreement. If SBC/Ameritech and all of the CLECs participating in the workshop do not reach a written agreement in Phase 2, in no event shall work begin in Phase 3 until SBC/Ameritech is directed by the Chief of the Common Carrier Bureau to implement the plan for development and deployment of enhancements to the existing Datagate and EDI interfaces as proposed by SBC/Ameritech in its entirety, or SBC/Ameritech is directed by the Chief of the Common Carrier Bureau to arbitrate the remaining unresolved issues in dispute and SBC/Ameritech receives the arbitrator's decision. Any such consolidated binding arbitration shall be conducted before an independent third-party arbitrator nominated by SBC/Ameritech and approved by the Chief of the Common Carrier Bureau, in consultation with subject matter experts selected by the arbitrator from a list of 3 firms supplied by SBC/Ameritech and approved by the Chief of the Common Carrier Bureau, which may include Telcordia Technologies, and shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The Chief of the Common Carrier Bureau shall direct the arbitrator that the arbitration will last no more than 60 days, unless the Chief extends that deadline. SBC/Ameritech shall pay 50 percent of the costs of the arbitrator and expert(s), and the CLECs that are parties to the disputed issues shall pay 50 percent of the arbitrator and expert costs.

(3) Phase 3 – SBC/Ameritech shall develop and deploy, using a phased-in approach, the enhancements to the existing Datagate or EDI interfaces for pre-ordering xDSL and other Advanced Services components, and enhancements to the existing EDI interface for ordering xDSL and other Advanced Services components consistent with the written agreement obtained in Phase 2 or the arbitrator's decision in Phase 2. To the extent that SBC/Ameritech has completed negotiation of a uniform change management process in accordance with Paragraph 32, SBC/Ameritech shall follow that uniform change management process in Phase 3. The target date for completion of Phase 3 is 10 months after completion of Phase 2, with the exception of Connecticut where the target date shall be consistent with that for the deployment of the uniform application-to-application OSS interfaces described in Paragraph 26 below. The target dates in Phase 3 shall begin to run on the date the plan for Phase 3 is finalized, which may be the date of execution of the written agreement in Phase 2, the date on which the Chief of the Common Carrier Bureau directs SBC/Ameritech in writing to implement SBC/Ameritech's plan in its entirety, or the effective date of a final decision by the arbitrator in

Phase 2 resolving all outstanding issues, whichever date is applicable. Within 3 business days of the target date, SBC/Ameritech shall file a notice regarding its satisfaction of this target with the Secretary of the Commission.

(A) If a CLEC contends that SBC/Ameritech has not developed and deployed enhancements to the existing Datagate or EDI interfaces in substantial compliance with the written agreement obtained in Phase 2, or has not complied with the arbitrator's decision received in Phase 2, it may notify the Chief of the Common Carrier Bureau and request consolidated binding arbitration. Thereafter, the Chief of the Common Carrier Bureau may require SBC/Ameritech and the CLEC(s) to submit the dispute to consolidated binding arbitration, if the Chief of the Common Carrier Bureau determines in writing that arbitration of the dispute is appropriate and in the public interest. Any such consolidated binding arbitration shall be conducted before an independent third-party arbitrator nominated by SBC/Ameritech and approved by the Chief of the Common Carrier Bureau, in consultation with subject matter experts selected by the arbitrator from a list of 3 firms supplied by SBC/Ameritech and approved by the Chief of the Common Carrier Bureau, which may include Telcordia Technologies, and shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The Chief of the Common Carrier Bureau shall direct the arbitrator that the arbitration will last no more than 60 days, unless the Chief of the Common Carrier Bureau extends that deadline. SBC/Ameritech shall pay 50 percent of the costs of the arbitrator and expert(s), and the CLECs that are parties to the disputed issues shall pay 50 percent of the arbitrator and expert costs. If the arbitrator determines that SBC/Ameritech has not developed and deployed enhancements to the existing Datagate or EDI interfaces in substantial compliance with the written agreement obtained in Phase 2, or has not complied with the arbitrator's decision received in Phase 2, SBC/Ameritech shall pay up to \$10,000 per business day per state in voluntary payments to the U.S. Treasury, as directed by the arbitrator. Voluntary payments shall not exceed a total of \$100,000 per business day for all SBC/Ameritech States.

(B) Voluntary payments of up to \$10,000 per business day per state shall be due only with respect to time periods during which SBC/Ameritech is in non-compliance and that are one or more of the following: (i) a period for which SBC/Ameritech acknowledges a failure to meet the relevant target date; (ii) within the first 3 business days after the relevant missed target date; or (iii) between the date on which the arbitrator has issued a final decision that SBC/Ameritech is in non-compliance and the date on which SBC/Ameritech files a notice with the Chief of the Common Carrier Bureau that it has corrected that non-compliance. In addition, if the arbitrator finds in writing that SBC/Ameritech intentionally and willfully failed to comply with the relevant requirement(s), and the Chief of the Common Carrier Bureau concurs in writing with such a finding, SBC/Ameritech shall make an additional payment of up to \$100,000, as determined by the arbitrator, for each business day that SBC/Ameritech was not in compliance. SBC/Ameritech shall have the right to appeal any such finding to the Commission.

(4) Notwithstanding anything else in these Conditions, the total of all voluntary payments relating to any or all milestones established under this Subparagraph 15c shall not exceed \$20 million.

16. Within the SBC/Ameritech Service Area, SBC/Ameritech shall provide unaffiliated telecommunications carriers with access to the OSS enhancements and additional interfaces required by Paragraph 15 of these Conditions for not less than 36 months after they are deployed.

17. Payments made to the U.S. Treasury in connection with the above OSS enhancements and additional interfaces shall not be reflected in the revenue requirement of an SBC/Ameritech incumbent LEC.

18. OSS Discounts. Until SBC/Ameritech has developed and deployed OSS options for pre-ordering and ordering xDSL and other Advanced Services components in satisfaction of Subparagraph 15c of these Conditions and the EDI interface specified in that Subparagraph is used by the separate Advanced Services affiliate for pre-ordering and ordering a substantial majority (i.e., at least 75 percent of pre-order inquiries and at least 75 percent of orders) of the Advanced Services components the separate Advanced Services affiliate uses in the relevant geographic area, SBC/Ameritech's incumbent LECs within the SBC/Ameritech Service Area shall, beginning 30 days after the Merger Closing Date, make available through inclusion of appropriate terms in interconnection agreements with telecommunications carriers, a discount of 25 percent from the recurring and nonrecurring charges (including 25 percent from the Surrogate Line Sharing Charges, if applicable) that otherwise would be applicable for unbundled local loops used to provide Advanced Services in the same relevant geographic area.

a. Such discounts shall not apply retroactively to charges incurred prior to the effective date of the discounts, but will apply to charges incurred after the effective date of the discount for both (i) recurring charges for qualifying loops in-service, and (ii) recurring and non-recurring charges for new installations of qualifying loops. By way of example, if the Surrogate Line Sharing Charges are \$8.00/month, the charge would be discounted to \$6.00/month in areas where this OSS discount is applicable. SBC/Ameritech may provide promotional discounts through credits, true-ups, or other billing mechanisms, provided, however, that such credits, true-ups or other mechanisms are applied within 60 days of the initial billing for the service. To obtain such discounts, a telecommunications carrier must provide written notification to SBC/Ameritech identifying the unbundled loops that it is using to provide an Advanced Service.

b. Unaffiliated providers of Advanced Services that obtain OSS discounts on unbundled local loops pursuant to this Paragraph shall, on a quarterly basis, certify to SBC/Ameritech and the appropriate state commission that they are using all unbundled local loops on which they are receiving the OSS discounts to provision an Advanced Service in compliance with the provisions of this Paragraph. SBC/Ameritech shall have the right to hire, at its own expense, an independent third-party auditor to perform all necessary audits and inspections needed to assure that unbundled local loops provided under the OSS discount are used in accordance with this Paragraph. Unaffiliated providers of Advanced Services that obtain OSS discounts shall agree to cooperate in the performance of such audits and inspections. Audit information shall be restricted to SBC/Ameritech regulatory, legal, and/or wholesale personnel, and SBC/Ameritech shall prohibit those personnel from disclosing audit-related, customer-specific or company-specific proprietary information to SBC/Ameritech retail personnel.

IV. Access to Loop Information for Advanced Services

19. In the SBC/Ameritech Service Area SBC/Ameritech shall provide unaffiliated telecommunications carriers with non-discriminatory access to the same local loop information for the deployment of xDSL and Advanced Services that is available to SBC/Ameritech's retail operations, including the retail operations that will be part of the separate Advanced Services affiliate(s) described in Section I. The systems and information described in this Section IV shall be made available by SBC/Ameritech for 36 months after the systems and information are made available to unaffiliated telecommunications providers.

20. Without regard to the local loop information for the deployment of xDSL and Advanced Services that is available to SBC/Ameritech's retail operations, SBC/Ameritech shall provide unaffiliated telecommunications carriers the following local loop information for the deployment of xDSL and Advanced Services in the SBC/Ameritech Service Area:

a. SBC/Ameritech shall provide unaffiliated telecommunications carriers with non-discriminatory, electronic pre-order OSS access to the theoretical loop length on an individual address basis (e.g., whether the loop length is approximately 12,000 feet or less from the customer premises to the central office; between 12,000 and 17,500 feet from the customer premises to the central office; or greater than 17,500 feet from the customer premises to the central office). This information shall be made available no later than the Merger Closing Date in the SBC/Ameritech Service Area within all SBC States, except for Connecticut and Nevada. In the SBC/Ameritech Service Area within Connecticut, it shall be made available by no later than 22 months after the Merger Closing Date, and in the SBC/Ameritech Service Area within Nevada it shall be made available no later than 180 days after it is made available in the SBC/Ameritech Service Area within California. This information shall be made available in the SBC/Ameritech Service Area within all Ameritech States no later than 22 months after the Merger Closing Date.

b. SBC/Ameritech shall provide unaffiliated telecommunications carriers with non-discriminatory, electronic pre-order Internet access to the theoretical loop length based upon a zip code of end users in a wire center (e.g., how many end users' loops are approximately 12,000 feet or less from the customer premises to the central office; between 12,000 and 17,500 feet from the customer premises to the central office; or greater than 17,500 feet from the customer premises to the central office within a zip code). This information shall be made available at no additional charge, beginning 12 months after the Merger Closing Date, in the SBC/Ameritech Service Area.

c. SBC/Ameritech shall provide unaffiliated telecommunications carriers in the SBC/Ameritech Service Area with non-discriminatory access to loop make-up information regarding the capability of loops to support Advanced Services, whether such access is available by electronic or manual means. Loop make-up information is the information contained on an individual loop (i.e., a single loop to a specific address) record, which typically contains: (1) the actual loop length; (2) the length by gauge; and (3) the presence of repeaters, load coils, or bridged taps; and may include, if noted on the individual loop record, (4) the approximate location and number of bridged taps, load coils, and repeaters; (5) the presence of pair-gain

devices, digital loop carriers, or digital added main lines, and (6) the presence of disturbers in the same or adjacent binder groups. No later than 90 days after the Merger Closing Date, SBC/Ameritech shall, in response to an address-specific written request from a telecommunications carrier or from SBC/Ameritech's separate Advanced Services affiliate(s) described in Section I, provide the loop make-up information that is available in SBC/Ameritech's individual loop records for that specific address. SBC/Ameritech may provide non-discriminatory access to loop make-up information manually, in which case the response time to a written request may reflect the manual effort that may be required to retrieve loop make-up information. A written request for loop make-up information shall specify, on an individual address basis, precisely what loop make-up information (from the list above) is desired. A request for all loop make-up information on all loops at all addresses within a state, city, county, municipality, zip code, or wire center would not satisfy this requirement. SBC/Ameritech shall be permitted to price the provision of loop make-up information to recover from requesting telecommunications carriers SBC/Ameritech's actual costs, on a time and materials basis, for providing loop make-up information, since the furnishing of this information is not the provision of a UNE. If SBC/Ameritech provides loop make-up information through an electronic means in the SBC/Ameritech Service Area within any state, then SBC/Ameritech shall not be required to provide the same loop make-up information through a manual means in the SBC/Ameritech Service Area within that state.

V. Loop Conditioning Charges and Cost Studies

21. No later than 180 days after the Merger Closing Date, SBC/Ameritech shall file cost studies and proposed rates for conditioning xDSL loops in the SBC/Ameritech Service Area within each SBC/Ameritech State that has not already started or completed cost proceedings for these services. SBC/Ameritech's cost studies and proposed rates shall be prepared in compliance with the methodology set forth in the Commission's and the relevant state commission's pricing rules for UNEs. The cost-based rates resulting from these proceedings shall be effective in that state.

VI. Non-discriminatory Rollout of xDSL Services

22. SBC/Ameritech shall take the following steps to ensure that its deployment of xDSL services (viewed on an aggregated basis without regard to the entity through which SBC/Ameritech provides those services) in the SBC/Ameritech Service Area is not discriminatory:

a. In consultation with the relevant state commission, if the state commission chooses to engage in such consultation, SBC/Ameritech shall within 90 days of the Merger Closing Date reasonably classify all SBC/Ameritech wire centers as either urban or rural wire centers for purposes of this Paragraph.

b. SBC/Ameritech shall identify the 10 percent of urban wire centers within the SBC/Ameritech Service Area in each SBC/Ameritech State that have the greatest number of low-income subscribers, as estimated by using the latest available census data ("Low Income Urban Pool"). By the time SBC/Ameritech has deployed xDSL in at least 20 urban wire centers in a particular state, and for at least 36 months thereafter, at least 10 percent of the urban wire